

Condensed Balance Sheet FY 2015 First Quarter Projection

	FY2015 (Quarter 1 Projection)	FY2014 (Adjusted)	Variance
ADMITTED ASSETS			
Bonds	1,114,303,342	1,083,973,027	30,330,315
Equity Securities	160,725,048	167,515,006	(6,789,958)
Real Estate Investments	26,375,742	26,908,775	(533,033)
Cash and Short-term Investment	43,524,565	38,011,790	5,512,775
Other Invested Assets	76,249,502	74,841,190	1,408,312
Securities Lending Collateral	155,713,674	166,416,008	(10,702,334)
Total Investments and Cash	1,576,891,872	1,557,665,796	19,226,076
Other Admitted Assets	173,894,086	113,444,450	60,449,636
Total Admitted Assets	1,750,785,958	1,671,110,246	79,675,712
LIABILITIES AND EQUITY			
Reserve for Unpaid Losses	816,391,998	805,717,546	10,674,452
Reserve for Unpaid Loss Adjustment Exp.	120,267,706	118,880,034	1,387,672
Securities Lending Liability	155,713,674	166,416,008	(10,702,334)
Other Liabilities	175,283,042	136,244,064	39,038,978
Total Liabilities	1,267,656,420	1,227,257,652	40,398,768
Policyholders' Equity	483,129,538	443,852,594	39,276,944

DISTRIBUTION REQUESTED BY: EquityAPPROVED BY SENATOR 158 Million

November 14, 2014

FY 2015 First Quarter Financial Report

Old Fund Cash Flow-Mid Estimate

Based on Towers Watson 6/30/2014 Reserve Analysis

<u>FY</u>	<u>Beginning Balance</u>	<u>Loss & ALAE Expenditure</u>	<u>ULAE</u>	<u>DLI Assmnt</u>	<u>Total Loss & Expense</u>	<u>Investment Income</u>	<u>Genl Fund Transfer</u>	<u>Ending Balance</u>
FY2015	258,784	7,653,188	702,467	221,832	8,577,487	0	8,318,703	0
FY2016	0	6,661,597	611,451	193,090	7,466,138	0	7,466,138	0
FY2017	0	5,469,595	502,040	158,539	6,130,174	0	6,130,174	0
FY2018	0	4,164,210	382,222	120,702	4,667,134	0	4,667,134	0
FY2019	0	3,179,082	291,800	92,147	3,563,029	0	3,563,029	0
FY2020	0	2,505,681	229,990	72,628	2,808,300	0	2,808,300	0
FY2021	0	1,564,896	143,638	45,359	1,753,893	0	1,753,893	0
FY2022	0	694,704	63,765	20,136	778,606	0	778,606	0
FY2023	0	447,558	41,080	12,973	501,611	0	501,611	0
FY2024	0	382,198	35,081	11,078	428,357	0	428,357	0
FY2025	0	345,417	31,705	10,012	387,134	0	387,134	0
FY2026	0	314,112	28,832	9,105	352,048	0	352,048	0
FY2027	0	314,604	28,877	9,119	352,599	0	352,599	0
FY2028	0	269,545	24,741	7,813	302,099	0	302,099	0
FY2029	0	318,200	29,207	9,223	356,630	0	356,630	0
FY2030	0	380,645	34,938	11,033	426,617	0	426,617	0
FY2031	0	448,713	41,186	13,006	502,905	0	502,905	0
FY2032	0	554,580	50,903	16,075	621,558	0	621,558	0
FY2033	0	667,977	61,312	19,362	748,650	0	748,650	0
FY2034	0	704,442	64,659	20,419	789,519	0	789,519	0
FY2035	0	630,434	57,866	18,273	706,573	0	706,573	0
FY2036	0	630,869	57,906	18,286	707,061	0	707,061	0
FY2037	0	600,447	55,113	17,404	672,965	0	672,965	0
FY2038	0	563,940	51,763	16,346	632,049	0	632,049	0
FY2039	0	441,302	40,506	12,791	494,600	0	494,600	0
FY2040	0	246,630	22,638	7,149	276,416	0	276,416	0
FY2041	0	16,899	1,551	490	18,940	0	18,940	0
FY2042	0	4,608	423	134	5,164	0	5,164	0
FY2043	0	1,529	140	44	1,713	0	1,713	0
FY2044	0	588	54	17	659	0	659	0
FY2045	0	524	48	15	587	0	587	0
FY2046	0	467	43	14	523	0	523	0
FY2047	0	418	38	12	469	0	469	0
FY2048	0	375	34	11	420	0	420	0
FY2049	0	335	31	10	376	0	376	0
FY2050	0	301	28	9	338	0	338	0
FY2051	0	271	25	8	304	0	304	0
FY2052	0	0	0	0	0	0	0	0
FY2015-FY2052		40,180,882	3,688,100	1,164,663	45,033,645	0	44,774,861	

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ATTACHMENT A, New Fund Data, Legislative Request 15L-3892

B

FY	Net Premium Earned	Losses Incurred	Dividends	Estimate Claims Payable (1)	Policyholder Equity
2002	\$92,971,868	\$86,699,328	\$4,001,224	\$346,400,000	\$158,498,995
2003	117,776,580	146,912,095	2,949,597	413,400,000	121,599,417
2004	139,360,612	136,267,288	1,909,856	452,115,000	127,492,156
2005	189,378,858	152,545,131	5,004,416	511,557,000	148,353,871
2006	211,892,198	180,614,395	5,001,042	590,688,000	163,101,495
2007	238,202,708	187,821,156	7,000,966	679,209,000	199,168,517
2008	230,965,306	194,249,598	-	752,253,300	216,564,182
2009	203,976,354	178,246,355	3,996,599	813,304,713	204,400,538
2010	166,265,384	143,522,935	2,001,293	838,765,340	241,545,529
2011	173,605,441	130,505,434	4,004,521	874,802,884	296,342,541
2012	150,482,457	119,493,828	6,001,168	889,940,574	317,667,747
2013	156,062,478	111,458,885	10,005,214	902,847,929	372,277,435
2014	165,271,880	127,812,156	12,003,138	924,597,580	443,852,594

Compiled by the Montana State Fund from audited statutory financial statements audit reports.

937 M.I.I.

483,129,538 1st qtr Est

(1) Estimated claims payable includes the loss and Loss Adjustment Expense (LAE) reserves. Loss reserves are the actuarially determined estimate of the cost of claims that have already been incurred. LAE reserves represent the loss adjustment, or claim management expenses related to the unpaid losses.

Laslovich, Jesse

Subject: FW: State fund surplus

Jesse,

Since the hearing is in a few minutes, thought I would jot a couple of bullet points. Let me know if you would like me to add more detail next week or thereafter.

1. The bill funds \$50m from NF surplus for OF liabilities. The range of OF liabilities from various actuaries as of June 30 2103 are below. \$50 makes sense give the Towers central estimate, but AMI, CACI, and FRA all believe the ultimate cost of remaining OF liabilities is likely to be at least \$50m and probably higher. Towers high end is also much higher. These numbers are not updated for the June 30, 2014 studies of Towers and AMI.

The bill does not address what happens if/when the \$50 million runs out. Does additional funding come from the MT general fund again? Will the legislature consider tapping NF surplus another time?

Summary Regarding Reserves for Old Fund

as of June 30, 2013 (\$ millions)

UNDISCOUNTED

	<u>Low Range</u>	<u>Central Estimate</u>	<u>High Range</u>
Towers Watson	40	44	86
AMI		124	
Financial Risk Analysts	50	74	101

- Towers central estimate slightly above low end of their range
- Previous Towers estimates have persistently developed adversely
- FRA and AMI estimates significantly above Towers
- We concur with AMI that the Towers central estimate appears low

2. MSF surplus as of 12/31/14 is about \$472 million. Project annual premiums for the NF are about \$165 million. That is a premium-to-surplus ratio of .35 to 1. Reducing the surplus by \$50 million for OF claims moves the premium-to-surplus ratio to .39 to 1. Industry benchmark premium-to-surplus ratios for well capitalized companies are almost always at least 1 to 1. While a more rigorous surplus analysis should be done, I think it is fair to say MSF is capitalized very well and can afford the transfer of \$50m or even more.

An analysis of surplus has not been in our scope of review work. Maybe we should add it?